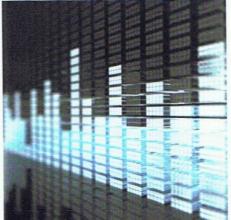
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# Andrew Bell Of Red Rock Resources Speaks To Proactive investors

by Proactive investors



So Andrew what is Red Rock Resources' business strategy and how is it working out?

Red Rock Resources was floated off by Regency in order to handle our iron ore-manganese projects because these commodities are low cost commodities, where the delivery through the rail system or the road system and the port system are a critical part of what you are doing. That tends to make them long-term, high capital requirement projects that need a lot of experies and only big companies can handle these things. We expected to find a large partner quite quickly. We expected it to be Chinese. It turned out not to be.

Tell us about recent progress with the joint venture Red Rock has with Pallinghurst Resources and what are the next steps.

We at Red Rock formed the joint venture with Pallinghurst Resources, which is based in London. That is a company set up by Brian Gilbertson who was the CEO of BHP Billiton. The joint venture that we are doing is going to be in steel feeds, which are the things that go into making steel, like iron ore, manganese, coal.



The next steps, well, Red Rock already have a substantial share holding in an Australian listed company called Jupiter Mines, to whom we had sold some licences, and Jupiter was rather in our business; they had some other licences but the most interesting part was the iron ore. If we sold in some of our iron ore and manganese assets and brought in Pallinghurst, we could jointly control it and use that company as our listed vehicle. They agreed with that strategy and they devoted some money, as did we, to building up a stake of 19.9% in Jupiter and to building up stakes in companies with neighbouring acreage. Then we offered that package of our licences and stakes in neighbouring companies and a bit of cash to Jupiter, and the board have agreed and the major shareholders have agreed and there is an AGM going ahead on 9th March. A 188 page document has been mailed to all shareholders and after the 9th March we expect ourselves and Pallinghurst to have, on a 50:50 basis, what will rise to 55% of a new Jupiter. Some very key people from Pallinghurst, ones with experience in this field which may include Brian Gilbertson and the former managing director of BHP iron Ore will join the board and develop the business.

# What is the attraction of creating a steel feed corporation?

Steel feed is simply the biggest business there is out there, that's why BHP, Rio Tinto and Vale are in the iron ore, manganese production because the volumes of steel dwarf those of other metals and commodities so if you want to be big you cannot afford not to be in it. Pallinghurst have already tried to buy a company which was going to be a platform for the steel feed strategy. That was the manganese producer ConsMin, a couple of years ago in Australia. They bid a billion dollars. Somebody else bid 1.2 billion, a Ukrainian, but to emphasise again that was only to use as a platform to build up a company in this space, because typically companies in this space are very, very large. Jupiter – we have there one very, very small company and indeed they have a partner in ourselves that is even smaller, so make what you like of that but what I would suggest is there is a reasonable chance that a very small tail will be wagging on a very big dog.

# Who are Pallinghurst Resources and how is Red Rock's relationship with them?

Well Pallinghurst Resources is the partner that we have. This is a group set up by Brian Gilbertson who used to run Billiton, then BHP Billiton, then Vedanta and then merged Rusal and Sual to create the biggest aluminium company in the world. He then set up Pallinghurst in London where he has got over \$1 the of backing and have already done some big deals in coloured gemstones and platinum, where they would be one of the largest players. Pallinghurst Resources was formed by Brian Gilbertson. Aside from him he has got a few other partners – one is called Arne Frandsen, one is Priyank Thapliyal and Priyank was the right hand man of Mr Agarwal who owns the major stake in Vedanta and Priyank did the deal whereby Vedanta took over the copper fields in Zambla. So he is good at doing transactions, a good person to work with and we have found it absolutely delightful working with him on this transaction.

# What is happening with Red Rock Resources' manganese interest?

These interests are mainly in Australia which are near Woodie Woodie which is ConsMin's mine that

produced about 10% of the world production of metallurgical manganese. They have been looked at by experts who think it is very likely that we have economic resources on them. Historic sampling results show there is some extremely high grade manganese. It is in the right geological horizons so that is going to be our main focus but the experts from our colleagues Pallinghurst will be taking a look at that as we go forward. Our Africa manganese interests have been going for a while and we are trying to develop them. There is a good chance of some production in Zambia from a small resource and we are looking at some interesting opportunities in the west of Africa. I should say that we are extremely bullish and optimistic about manganese.

#### What is Red Rock Resources' financial situation?

Red Rock Resources has a financial situation that is acceptable but not much more. We would like a bit more money. We invested a lot of money into keeping pace level pegging with Pallinghurst in following this strategy last year, which took a long time to bring to fruition. However after the 9th March some of our major assets which we would otherwise have to spend money on will be part of the joint venture inside Jupiter and therefore Jupiter will have the business of supporting them in the future. We will have we expect a very large position of 92m shares in Jupiter and we expect that price to perform extremely well over a year or two. However right from the beginning it is going to have a value several times our market capitalisation of Red Rock and it will be essentially an investment asset, representing most of our visible value, to start with to a smaller extent, but as time goes by possibly to a greater and greater extent.

Jupiter will be run by the ex BHP and Pallinghurst people and so as directors we will necessarily have to regard the holding in Jupiter as a potential source of funding and a preferable one to selling our shares at a discount. So our business model in part is we should take something in a situation like this instead of just outright selling our tenements in a very poor market. We have done a fantastically better deal. We have put them into a listed company so instead of holding tenements unmarketable, we will hold shares marketable. So when we sell those shares that will essentially be a disposal of a partial interest in assets that we originally acquired at the beginning of the investment cycle. We are a hybrid investment/exploration company. The exploration is what proves the value of the assets listed there. The investment activity is what enables us to realise the value of the assets.

#### What can investors expect from Red Rock Resources over the next 12-18 months?

Investors can expect that we will follow up this transaction with something similar in RSL: Resource Star, which is the listed company we have management of. We put our uranium assets into it. We are frozen in the middle of a process of re-listing on the mining board, changing the par value and so on there. We have some good assets. We got some spectacular results in technology metals and rare earths from Malawi right near Globe's Kanyika deposit which have been declared commercial. That was when we were looking for uranium. We were doing something else quite different and what we have found is so specialised we are having to learn about it. The person running that company is lan Scott who used to be the geology manager and chief geologist at Olympic Dam the biggest uranium producer so we are confident with uranium.

At the moment we see a lot of opportunities for picking up uranium assets cheap and so we are going to develop them. For that asset we will begin to look for major partners for that company as well. We are going to re-list it and we hope that then that will generate profits. Red Rock was profitable last year and we think it will be profitable this year and will be profitable next year, but we will have another source of profits from what we do with RSL which is getting liquidity into our uranium vehicle and we will be focusing on some gold opportunities as well.

# Does Red Rock Resources still have a stake in Africa China Mining and what is the plan there?

We do have a 20% stake and we have two options in front of us, one of which is to get re-paid next time they raise money and the other which is to keep our holding. We would like to have more control over that business because we think that we are professionals in the exploration and mining business. The people who are running that business are, though very responsible and reputable American and Australian gentlemen, they got into the business more or less by accident though they have high ambitions for it and have done a tremendous job getting the licences. We would prefer to have a greater degree of control and so we will just see how we go with that. But the reason we got in there is because the assets are really extremely good, and if the assets are that good, and the outlook for manganese is good, then that is not a situation that is going to turn against us, we just haven't worked out exactly how to turn it most to our favour.

# What are Red Rock's stakes in Jupiter Mines and other companies currently worth?

This is so much in a state of flux because we have about 8% or 9% of Jupiter but that is committed to the joint venture and we sent out the notice of EGM so we couldn't sell that at the moment, even if we wanted to. So I think it may be more realistic to look at what the shares are going to be worth once the EGM has gone through. We should end up with 92m shares in Jupiter and lets say 10c assuming that was what they started off as, that would be A\$9.2m which if we divide by, lets assume 2.3, is not too far off £4m. So even at today's depressed prices £4m - but that price can vary if it got back to where it was in the early Autumn last year.

It could be 2.5 times that much and if we got, say, to a \$1 a share but you are still only talking about a £150m company and a £150m company in this space is just too small to participate, you have got to build up something bigger than that. So how much value you lose along the way, adding some more shares, how much value you manage to keep for original shareholders, well that depends on a lot of things like how smart you are, how expensive you can get your paper to be and what deals you do. But we do expect Red Rock's stake in Jupiter to be worth very much more than it is going to be on 10th March.

# What are your thoughts on the medium and long-term prospects for iron ore and manganese?

The prospects for price are never easy but the prospects for demand I feel-relatively sure about. The demand for iron ore and in particular for manganese are going to be robust because more than 40% of the world's population is having an industrial revolution and China is going to continue to grow strongly and India is beginning to grow much more strongly than anyone would have thought possible a few years ago. I think that if they can continue, India in particular, to pick up growth for many years to come in those circumstances where demand is growing there is always going to be something of a support for prices on any time frame. So prospects are looking good for iron ore demand even in the short term.

I think prices of iron ore in China and exports to China are going back up again after a low period at the end of last year. In the case of manganese the manganese price has done extremely well for a year or two as the effects of Chinese shortage and the requirements for imports were felt. There was a set back there, as with everything else. Not a big setback but the response to the slow down in the economy in China has been to boost infrastructure spending. That has included building a lot of railways. Railway tracks are nearly 20% manganese compared with less than 1% in conventional steel. So on balance I expect manganese price to be strong as well as manganese demand to be strong. With iron ore I think demand is going to continuously be there but there will always be a battle between sellers and buyers to try to get some relative advantage.

But for us in a way I don't care about price, I am much more interested to know that there is going to be dependable demand because that puts some kind of floor under prices and enables one to predict what the outcome will be from ones projects. But on balance I still believe in the Asian growth story and therefore I still believe that there is going to be a strong growing demand for these metals.